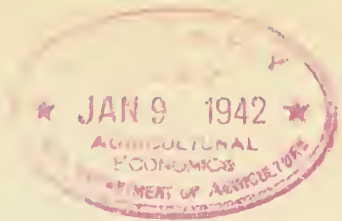


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THE Demand and Price SITUATION

BUREAU OF AGRICULTURAL ECONOMICS
UNITED STATES DEPARTMENT OF AGRICULTURE

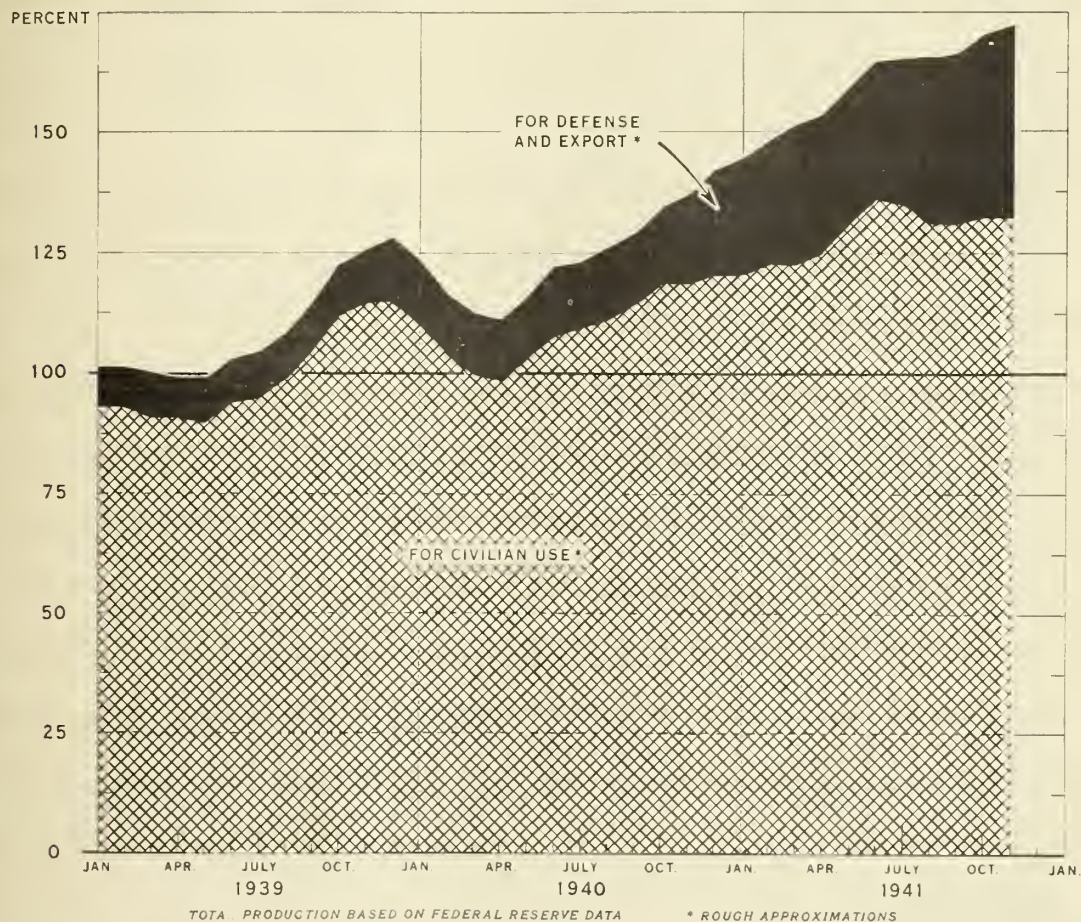
WASHINGTON, D.C.



DECEMBER 1941

FACTORY PRODUCTION IN THE UNITED STATES, 1939-41

INDEX NUMBERS (1935-39=100) ADJUSTED FOR SEASONAL VARIATION



U. S. DEPARTMENT OF AGRICULTURE

NEG. 39160 BUREAU OF AGRICULTURAL ECONOMICS

PRODUCTS FOR DEFENSE AND EXPORT HAVE REPRESENTED AN INCREASING PORTION OF THE TOTAL OUTPUT OF MANUFACTURES IN THE UNITED STATES SINCE THE BEGINNING OF THE WAR IN EUROPE, BUT THE REMAINDER FOR CIVILIAN USE APPEARS ALSO TO HAVE INCREASED UNTIL THE MIDDLE OF 1941. NOW, WITH THE UNITED STATES AN ACTIVE BELLIGERENT, THE DOMESTIC ECONOMY WILL BE RAPIDLY SHIFTED TO A WAR FOOTING AND FUTURE INCREASES IN THE OUTPUT OF WAR MATERIALS WILL BE MORE AND MORE AT THE EXPENSE OF CIVILIAN GOODS. THESE ESTIMATES REPRESENT ONLY ROUGH APPROXIMATIONS, BUT GIVE SOME INDICATION OF THE GROWING IMPORTANCE OF MILITARY PRODUCTION IN RELATION TO THE TOTAL VOLUME OF FACTORY OUTPUT.

SUMMARY

The spread of war to the Western Hemisphere has not materially altered the outlook for a continuation of the favorable trend in conditions affecting the domestic demand for farm products. Speculative and storage demand may be stimulated for products unaffected by price ceilings, food-for-defense buying will be expanded, and the total money income of consumers is expected to continue to increase.

The expanding war effort and the prospective accompanying rise in industrial activity, employment, and wages are the principal factors in the favorable outlook for domestic consumer demand. In 1942 the proportion of manufactured goods for war and export probably will increase to at least a third of the total and may even be double the estimated 20 percent required for defense and exports in 1941. In 1940 about 10 percent of factory production apparently was for defense or export.

Influences tending to reduce consumer demand will be a greater restriction of normal economic activities and rising taxes necessitated by war. The retarding effecting of the former will be pronounced when the shift from a defense to a war economy is most active, probably early in 1942, but will be temporary; effects of the latter may arise more gradually and be progressive.

Prospective 1942 needs of the British for United States farm products have been estimated at about double the 1941 shipments. The spread of hostilities may increase these needs if transportation from more distant points becomes relatively more difficult.

The spread of hostilities may increase the upward pressure on commodity prices. Whether or not this will result in a rise in the general price level in 1942 greater than previously had been anticipated will depend upon the nature of the various control measures which may be instituted.

Prices received by farmers declined from 139 percent of the 1910-14 average in October to 135 in November, but according to recent price changes in wholesale markets, may be back to about the October level. Income from farm marketings probably declined after allowance for the normal seasonal change in November, in part because of the general decline in prices received and in part because of larger than seasonal declines in income from cotton, tobacco, wheat, and cattle. Marketings of these products had been unusually heavy prior to November. Because of the early movement to market of several important cash crops this season, a further decline in cash farm income from marketings is anticipated this month.

--- December 17, 1941

The situation by commodities is as follows:

- Wheat: Conditions for the winter crop remain generally favorable. With warm weather and with the soil well supplied with moisture, considerable growth is reported over most of the winter Wheat Belt, some of the intended seeding has not been accomplished in the wetter localities. Wheat prices have recently risen to the highest levels since 1937, and are up sharply compared with November 15 prices. The large increase in estimated carry-over stocks July 1, 1942, compared with a year earlier, is expected to be about offset by a reduction in production, so that total supplies in 1942-43 may not be greatly different from those in 1941-42.
- Cotton: Domestic cotton consumption on a daily basis established a new high in November and will likely go still higher in the next few months. This and the general tendency for commodity prices to rise, contributed to the net advance of 8/10-cent per pound in domestic cotton prices from mid-November to mid-December.
- Feed grains: Cash prices of corn and oats advanced about 3 cents per bushel following the outbreak of hostilities with Japan and important byproduct feeds advanced \$1 to \$4 per ton. Corn prices may be supported by the higher loan on 1941 corn, in addition to increasing demand, since in mid-November the average price of corn in the North Central States was 14 cents below the average loan rate in the commercial corn area.

- Hogs: So far in the 1941-42 marketing year, which began October 1, marketings of hogs have been about 12 percent smaller than a year earlier. This, together with the heavier weights of hogs slaughtered, indicates that farmers are marketing their spring pig crop somewhat later this fall than they did in 1940. Hog prices advanced fairly sharply following the outbreak of war with Japan.
- Beef cattle: The movement of feeder cattle into the Corn Belt during November was larger than a year earlier, but the increase was not great enough to offset the decrease of the preceding 4 months. Cattle prices have advanced since early November, with prices of heavy well-finished slaughter cattle showing the most strength in several months.
- Lambs: The number of lambs fed in the 1941-42 feeding season is expected to exceed the record large number fed last year. Lamb prices in early December were about \$2 higher than a year earlier.
- Wool: Ceiling prices for raw wool have been established by the Office of Price Administration at approximately the levels that prevailed during the week ended December 6. On many grades of wool the December 6 prices were the highest since the early part of 1929. Wool prices, however, have not changed much during the past year. Important developments in recent months have been the award of large Army orders for wool materials, a record mill consumption, and a seasonal decrease in wool supplies in the United States.
- Dairy products: The spread of war has had little effect on the outlook for dairying. Production is expected to continue larger than a year earlier, but prices of most dairy products probably will be higher.
- Poultry and eggs: The seasonal low point in farm marketings of eggs has been passed and with favorable weather the weekly volume will increase until next April. Current egg production is the largest on record. Egg prices are continuing well above those of a year earlier. Chicken and fowl prices have advanced in recent weeks and are somewhat higher than a year ago despite record large supplies.
- Fats and oils: Consumption of primary fats and oils for 1941 is provisionally estimated at 11 billion pounds compared with 9.7 billion pounds in 1940. Supplies will be sufficient to maintain domestic consumption and exports in 1942 at the 1941 level, even if imports from the Pacific area are completely cut off. Under such circumstances, however, stocks will be reduced considerably during 1942. On December 13, ceilings were established for wholesale prices for all fats and oils, except butter, at the level of prices prevailing on November 26.

Fruits: The 1941-42 fruit season will continue to be a relatively favorable one for fruit growers in general, compared with the preceding season. Although producers of deciduous fruits have had to market larger amounts of produce this season than last, a higher level of consumer demand and larger purchases by the Department of Agriculture this season have resulted in relatively favorable prices to growers.

Potatoes: Market prices of potatoes have become adjusted to the stored-supply situation, and have shown little change during the last month. The general level of prices is substantially above that of last winter.

Truck crops: Increasing market supplies of truck crops coming from the fall and early producing areas resulted in a decline in market prices during recent weeks, but the general level in early December was still somewhat higher than that a year earlier.

DOMESTIC DEMAND

The spread of the war to the Western Hemisphere has not greatly changed the outlook, which is for a continuation of the favorable trend in conditions affecting domestic demand for farm products. The money income of consumers is expected to continue to increase, food-for-defense buying will be expanded, and speculative and storage demand for farm products, unaffected by price ceilings, may be stimulated by the spread of hostilities.

The expected increase in the money income of consumers is based on the outlook for further gains in industrial activity, employment, wages and prices. The Federal Reserve index of industrial production showed only about the usual seasonal changes between June and September, but after allowance for seasonal fluctuations the index is again rising moderately. The November seasonally adjusted index, which was 166 percent of the 1935-39 average, represented a 5-point gain over September and was 32 points or 24 percent higher than in November 1940.

The Japanese attack and war between the other axis powers and the United States will stimulate our efforts to increase output of war goods of all kinds. Labor troubles will diminish, the amount of overtime work will be increased, and additional shifts will be more fully utilized. Increased output of some commodities, such as lead and copper, may be obtained by subsidizing or offering higher prices to marginal and submarginal producers. All of these possibilities point to a higher level of industrial activity. On the other hand, gains in industrial production will continue to be limited by the shortage of certain raw materials and the high rates of operation which already have been reached in many lines of activity. There has been a definite prospect that further cuts in output of some types of civilian goods would be more than offset by increased production of defense equipment.

The all-out war effort now in prospect conceivably could change this outlook. Any attempt to shift every available facility to war production might reduce the total output temporarily. For example, many plants having some general purpose machine tools and many special purpose machines have continued to produce civilian goods because their potential output of war materials was quite small relative to their normal capacity. Hence, they were not able successfully to compete with other plants for defense contracts, or found it more profitable to continue civilian goods production. In an all-out effort it may be necessary to convert many of these plants, even though such utilization is relatively inefficient. Very extensive efforts of this kind might reduce the general level of industrial activity until additional specialized machinery could be built and the converted plants put on a complete war footing. Another factor which might contribute to a reduction in total output is the greatly increased need for conserving stocks of essential materials from Pacific countries. Depending upon the extent of interference with ocean shipping in this area, such conservation measures might necessitate severely curtailed operations in enough factories to noticeably affect aggregate output. Although the factors tending to increase production, which were discussed above, now appear to be sufficient to somewhat more than offset the unfavorable conditions, developments during the next month or two should throw much more light on this important question.

It is estimated that defense and exports together are at present accounting for around 25 percent of the total output of processed goods compared with about 15 percent a year ago (see cover page chart). Exports now represent about the same proportion of factory production as a year ago, since increased lend-lease shipments have accompanied the rise in industrial output and also have offset declines in exports of some kinds of goods. This means that the output of defense goods exclusive of lend-lease shipments apparently is now twice as large relative to factory production as it was a year ago, and the absolute increase has been even more impressive. Even if the United States had not become directly involved in war, defense expenditures in 1942 probably would have averaged 2 billion dollars per month or even more compared with an average of 1 billion dollars per month this year. Now they will be even larger. Factory production and the general price level also are expected to be higher than in 1941, so that the increase in defense production relative to the total will be considerably less than the increase in defense expenditures. However, it appears probable that defense and exports in 1942 will account for at least one-third of total output and may even be double the estimated 20 percent this year. In 1940 about 10 percent of factory production was for defense or export. The amount of goods for civilian use in 1942 will certainly be less than the average of recent months and probably will be less than in 1941 as a whole. This might not be true, however, of the total volume of civilian goods and services, since the latter can expand considerably without interfering materially with war activities.

Further increases in nonagricultural employment and consumer income which seem likely to accompany the rising war effort will be the principal factors in the improvement in the domestic demand for farm products. Curtailment of production of such civilian goods as automobiles, household

equipment, and residences will tend to increase the proportion of funds available for other types of consumers' goods and services including food, clothing, and amusements. An offsetting factor to the indicated increase in consumer income available for making purchases will be the higher taxes to be paid next year. These may result in lowering net money incomes after taxes, particularly for some of the higher income groups of consumers. The lower income groups will be little affected by the tax increases which have been made to date, and it is this group which spends relatively large proportions of its income for food.

It is estimated that in October of this year there were 42,800,000 employed in nonagricultural pursuits (exclusive of relief workers but including military) compared with 38,100,000 a year earlier, and the compensation of these workers in October was at the annual rate of 63 billion dollars compared with about 52 billion dollars both in October 1940 and the same month in 1929. Continuation of the June to October 1941 rate of gain would carry nonagricultural employee compensation to an annual rate of about 70 billion dollars by next October.

Lend-lease food needs in 1942 are expected to be much larger than in 1941. Speculative and storage demand is another factor influencing the overall demand for farm products, particularly in these times of rapidly changing conditions. Speculative and storage demand is based not only upon prospective future supplies, consumer demand, and export takings but also upon anticipated changes in the general price level. The spread of the war and the renewed tendency of the general price level to rise should stimulate speculative and storage demand for farm products unaffected by offsetting wartime price-control regulations.

THE GENERAL PRICE LEVEL

The 889-commodity weekly wholesale price index of the Bureau of Labor Statistics early in December was only about one point higher than 3 months earlier. Wholesale prices of farm products had advanced moderately since the end of October but were still slightly below the September peak. Prices of industrial raw materials and finished products had held relatively steady for several weeks. The effects on demand conditions of the spread of war and further expansion of the military effort will exert increased upward pressure on both agricultural and industrial commodity prices, and a resumption of the general advance already appears to have begun.

The Bureau of Labor Statistics index of wholesale prices of all commodities stood at 92.2 percent of the 1926 average for the week ended December 6, compared with 91.0 for the week of September 6. This 3-month gain of about one point compares with an average monthly advance of approximately two points for the 6 months prior to mid-September, during which period the month-to-month advances were fairly uniform.

The flattening out of the upward trend of commodity prices during the past 3 months probably was due in considerable degree to the effect of reduced forward industrial buying, resulting partly from priority controls. But there had been other contributing factors such as reduced speculative demand for farm commodities and price ceilings on a number of industrial products. Seasonal influences also have been a factor in the trend of prices

for some farm commodities. Periods during which there is little or no rise in the general wholesale price level are not unusual, even when the longer-term trend is definitely upward, and renewal of the advance was expected even without spread of hostilities.

The augmented program of war expenditures and activity will add directly to the demand for many kinds of goods, raise the money purchasing power of consumers, decrease available supplies of some types of civilian goods, and bring marked scarcities of certain imported commodities. In addition, it may be found necessary to permit increases in some prices which have been under control in order to stimulate production of much needed materials, and to make additional wage increases in some lines of production in order to induce the necessary flow of labor from nonessential occupations and from one geographical area to another. So far price controls have worked very well in connection with those commodities to which they have been applied and which are best adapted to such regulation. The greatest danger to the continued effectiveness of price control is increases in costs greater in extent than can be absorbed by producers through decreased overhead expense incident to increased production, and through reductions in profits.

Ordinarily retail price changes lag behind movements in wholesale prices. And, because of relatively inflexible transportation and handling charges between wholesale and retail markets, given absolute changes in wholesale and retail prices mean considerably larger percentage changes in wholesale prices than in retail prices. It is significant that war conditions may alter these normal relationships to some extent. During the period of price controls from August 1917 to December 1918 wholesale prices increased only 9 percent, reflecting the effects of price controls on the wholesale markets, whereas the relatively uncontrolled retail prices increased 27 percent. In the case of foods, where many controls operated at both the wholesale and retail levels, wholesale prices increased 9 percent during the controlled period while retail food prices advanced 26 percent. Retail prices, as usual, lagged behind wholesale prices, and continued to advance throughout the period of controlled and relatively stable wholesale prices. It is noteworthy that the course of wholesale and retail prices during the present conflict has been much like that during the corresponding period of World War I. Wholesale prices from August 1939 to October 1941 increased 23 percent and retail prices in the city increased 11 percent. As retail price advances belatedly take hold the advance in them is likely to be greater relative to the rise in wholesale prices than it has been so far during the present war.

PRICES AND INCOME RECEIVED AND PRICES PAID BY FARMERS

Prices received by farmers receded in November to 135 percent of the 1910-14 average from 139 in each of the preceding 2 months. This was the first decline since March, when the index stood at 103. Price changes in wholesale markets since mid-November indicate that the composite index of prices received by farmers in December may rise about as much as it declined in November.

Price declines in November affected the index numbers of all groups except grains, dairy, and poultry products. The rise in prices received for poultry products was large, but was not much more than is usual for the season, and the declines in meat animal and fruit prices were somewhat less than is usual. Since mid-November poultry product prices are estimated to have declined seasonally, but index numbers of prices for most of the other groups and the composite index for all groups in mid-December apparently will be higher than in November.

Prices paid by farmers continued to increase in November and as a result of diverse movements in prices paid and received the ratio of prices received to prices paid declined from 100 percent of the 1910-14 average in October to 96 in November. Similar ratios computed by use of the index of prices paid including interest and taxes show a decline in the parity ratio from 99 in October to 94 in November. Because interest and taxes per acre of farm real estate change slowly the index of prices paid including interest and taxes also changes more slowly than the index of prices paid by farmers for commodities and services. However, in relation to the average of the 1910-14 period, interest and taxes still are higher than prices of commodities and services so that in November the index of prices paid, interest, and taxes was 143 percent of the 1910-14 average compared with 141 percent for prices paid for commodities and services only. These index numbers would be about together at 150 (assuming no important change in interest and taxes), and at higher levels the prices paid index would be above the index of prices paid, interest, and taxes.

The index which includes interest and taxes per acre of farm real estate in addition to prices paid for commodities and services is the one used as a basis for computation of parity for prices received by farmers for the products they sell. To be at parity, prices received would need to be as high in relation to prices paid, interest, and taxes as they were during the 1910-14 period. In November, prices received were 135 percent of the 1910-14 average or 6 percent lower than the index of prices paid, interest, and taxes, which was 143.

Cash income from farm marketings declined more than usual from October to November, in part because of the decline in prices received by farmers and in part because previously there had been an early movement to market of some important cash crops, especially tobacco and cotton. This early movement will continue to affect aggregate sales in December, and income may again be lower despite the indicated recovery in prices received by farmers. Prices paid continue to advance.

CATTLE

The movement of stocker and feeder cattle into the Corn Belt during November was larger than a year earlier. But the increase was not great enough to offset the decrease of the preceding 4 months, and indications still point to a considerable reduction in cattle feeding operations during the 1941-42 feeding season. The movement of feeder cattle from the Western States was delayed this fall because of the unusually good range feed conditions. Purchases of feeder cattle by Corn Belt farmers also were discouraged by the relatively high prices of such cattle. Prices of slaughter

cattle have advanced fairly sharply during the past several weeks, but prices of feeder cattle are still fairly high relative to prices of fat cattle.

The advance in cattle prices since early November has been most pronounced for the upper grades and heavier weights of slaughter cattle. Prices of heavy well-finished cattle are now \$1.00-\$2.00 higher than the season's low level reached about 1 month ago. The average price of good grade beef steers at Chicago for the week ended December 6 was \$11.95 compared with \$11.00 in early November and \$11.60 in the corresponding week of 1940. Prices of feeder cattle also have advanced during the past few weeks. The average price of such cattle at Kansas City in early December of \$9.95 was 75 cents higher than a month earlier and \$1.30 higher than a year earlier.

Marketings of slaughter cattle decreased more sharply than usual in November, following the exceptionally large slaughter in October. The number of cattle slaughtered under Federal inspection during the month totaled 941,000 head, 16 percent less than a month earlier, but 6 percent more than a year earlier. So far in 1941 (January-November) inspected cattle slaughter has totaled about 12 percent greater than a year earlier. Inspected calf slaughter in November also was smaller than in October but slightly larger than in November last year.

HOGS

So far in the 1941-42 marketing year, which began October 1, marketings of hogs have totaled about 12 percent smaller than a year earlier. This, together with the heavier weights of hogs slaughtered, indicates that farmers are marketing their spring pig crop somewhat later this fall than they did in 1940 when the market movement of the spring crop was exceptionally early. It is likely that the winter peak in hog marketings will be reached later this year than in 1940-41, and supplies of hogs are expected to be larger than a year earlier during the late winter and spring. Because of the expected increase in the 1941 fall pig crop and the probable increase in next year's spring crop, hog supplies during the summer and fall of 1942 also will be larger than in the corresponding months this year.

Hog prices declined moderately during November and early December, but they advanced sharply in the second week of the month following the outbreak of war with Japan. The average price of butcher hogs at Chicago for the week ended December 13 was \$10.55, compared with \$10.00 the preceding week and \$10.40 in the first week of November. A year ago the average at Chicago was about \$6.20.

The weekly rate of hog marketings has increased steadily in recent weeks, but at a slower rate than that of last fall. The number of hogs slaughtered under Federal inspection during November totaled 4,561,000 head, 10 percent more than in October but 16 percent less than in November last year. Government purchases of pork and lard during November amounted to 93 million pounds, the equivalent of roughly 10 percent of the pork and 25 percent of the lard produced under Federal inspection during the month.

LAMBS

Developments in the lamb feeding situation during November indicate that the number of sheep and lambs fed during the 1941-42 feeding season will exceed the record large number fed last year. A material increase in feeding operations is expected in Colorado and in the Corn Belt States west of the Mississippi River. The 1941 lamb crop was about 5 percent larger than the 1940 crop, but inspected slaughter of sheep and lambs during the 1941 spring-lamb marketing season (May-November) was only 3 percent larger than a year earlier. Marketings of fed lambs have been delayed somewhat by wet weather this fall which was unfavorable for feeding operations.

Lamb prices have strengthened somewhat during the past few weeks, following a moderate decline in late October and early November. The average price of good and choice grade slaughter lambs at Chicago for the week ended December 6 was \$11.45, compared with \$11.25 in early November and \$9.40 in early December last year. Lamb prices fluctuated considerably during the past summer and fall, but they declined much less than they ordinarily do during the spring-lamb marketing season (May-November) and they averaged \$1.50-\$2.00 higher than during the corresponding season of 1940.

Marketings of sheep and lambs decreased seasonally in November. Inspected slaughter for the month of 1,424,000 head was 15 percent smaller than in October and 3 percent smaller than in November last year.

WOOL

On December 8 the Office of Price Administration announced that ceiling prices would be established for raw wool at approximately the levels that prevailed during the week ended December 6. For many grades of wool the December 6 prices at Boston were higher than at any time since the early part of 1929. Prices at Boston fluctuated within narrow limits from November 1940 through August 1941 and then advanced steadily through November. Strengthening factors in the last few months have been the award of large Army orders for wool materials, a record mill consumption, and a seasonal decrease in wool supplies in the United States.

Mill consumption of apparel wool in October established a new record rate of 10,744,000 pounds a week, scoured basis. New "highs" in consumption of apparel wool have been established by mills in 8 of the last 12 months. Consumption on a greasy shorn and pulled basis in the last few months has been at the rate of more than a billion pounds a year, compared with a 5-year average (1935-39) of about 575 million pounds. In view of the large backlog of unfilled orders held by mills, it is likely that the current rate of consumption will be maintained through the first half of 1942. Unfilled orders for wool cloth for civilian and Government use held by reporting mills at the end of September, plus Army orders scheduled for award in the final quarter of 1941, were equivalent to about 6 months of activity at the September rate of production.

Supplies of apparel wool on hand in the United States on a greasy shorn and pulled basis on November 1, excluding wool imported for Government "stockpile," were about 150 million pounds larger than a year earlier when supplies were relatively small. As no considerable quantities of domestic wool from

the 1942 clip will be available for mill use before June or July, large quantities of wool may be imported from the 1941-42 clips of the Southern Hemisphere which are now available. Imports of apparel wool for consumption in the first 9 months of 1941 totaled 491 million pounds compared with 133 million pounds in the corresponding months last year. The greatest increase in imports was in fine wools. It is expected that large quantities of South American, Australian, and South African wools will be available, the amount depending upon ocean shipping conditions.

FATS, OILS, AND OILSEEDS

Domestic disappearance, or consumption, of primary fats and oils for 1941 is provisionally estimated at 11 billion pounds compared with 9.7 billion pounds in 1940. Supplies of fats and oils from domestic production, stocks, and probable imports will be sufficient to maintain domestic consumption and exports in 1942 at the 1941 level, even if imports of oilseeds and oils from the Pacific area are completely cut off. Under such circumstances, however, stocks would be reduced considerably during 1942. And the substitution of domestic or Latin American fats and oils for such items as coconut, palm, and tung oils might be required for some uses.

Imports of oilseeds and oils were about 10 percent smaller from January through June this year than last. But in the third quarter, as a result of an improved shipping situation in August and September, imports showed a gain of 39 percent over the third-quarter imports a year earlier. Approximately 20 percent of our total requirements for fats in recent months has been met by imports, more than half of which have originated in the Pacific area.

Prices of fats and oils were steady to lower in November, but they advanced fairly sharply early in December following the outbreak of war with Japan. On December 13, ceilings were established for wholesale prices of all fats and oils, except butter, at the level of prices prevailing on November 26.

CORN AND OTHER FEED

Cash corn and oat prices at Chicago advanced about 3 cents per bushel following the outbreak of hostilities with Japan. Cash prices of most by-product feeds advanced \$1.00 to \$4.00 per ton. Prices of feed grains advanced sharply during the marketing year in which the United States entered the first World War, but supplies of all feeds are much larger now than at that time and price advances will probably be smaller during the present marketing year than in 1916-17. Corn prices may be supported by the higher loan rate on 1941 corn, which will average 74.8 cents per bushel in the central commercial area. The loan will vary from 69 to 79 cents per bushel in this area compared with a flat loan rate of 61 cents per bushel for 1940 corn. In mid-November the average price received by farmers in the North Central States was 14 cents per bushel below the average loan rate in the central commercial area, compared with 7 cents last year. The advance in corn prices since mid-November has probably reduced this spread somewhat. Because of regional differentials in loan rates on 1941 corn, spreads between the price of corn and the loan rates were much more nearly uniform throughout the Corn Belt on November 15 than on that date a year earlier, and the quantity of corn sealed under loan is expected to be much more evenly distributed this year than during any of the past 8 years.

In recent weeks weather in the Midwest has become more favorable for harvesting the corn crop. Excessive rains earlier in the fall delayed harvesting in a large part of the Midwest. The crop is of poorer quality than in any of the past 3 years and upper grades of corn are selling at a higher than usual premium over lower grades.

No revisions have been made in the estimates of feed-grain supplies since the November issue of this report, when total supplies available October 1 were estimated to be 120 million tons compared with 115 million tons last year. The supply per animal was estimated to be slightly smaller than a year ago but 18 percent above the 1928-32 average. Excluding the quantity of corn sealed on October 1, the supply was about 8 percent above average. Supplies of both feed grains and hay are the largest in over 20 years.

WHEAT

Wheat prices have recently risen to the highest levels since 1937, and were generally up 8 to 13 cents compared with November 15 prices. Prices at Portland, an only fractionally, are an exception. Prices remained fairly steady during the last half of November. Around December 1 prices advanced, reflecting recognition that cash prices were relatively low compared with loan rates and that the index of prices paid by farmers was rising, suggesting that loan rates in 1942 might be materially higher. A sharp advance also took place on December 8, following the outbreak of war in the Pacific. Compared with loan values, prices at St. Louis, Kansas City and Minneapolis (hard spring) on December 15 were 16, 11, and 5 cents, respectively, above, while prices at Portland were still 10 cents below the loan. Large supplies with a very limited export market have had a price-depressing effect in the Pacific Northwest.

Conditions for the winter crop remain generally favorable. With warm weather and with the soil well supplied with moisture, considerable growth is reported over most of the winter wheat belt. However, some of the intended seeding has not been accomplished in the wetter localities. Wheat has heavy growth in western portions of the belt, but in some central districts considerable of the late seeded crop is rather small. Rains in the East and Southwest recently were decidedly favorable.

The estimate of the 1941 wheat crop is subject to revision on December 18, when the Annual Crop Summary will be released by the Crop Reporting Board. At the present time the situation and outlook are as follows: Carry-over on July 1, 1941 of 387 million bushels plus a crop estimated at 960 million bushels makes a total domestic supply of 1,348 million bushels, 250 million bushels above the supply a year earlier and about 100 million bushels above the record high in 1931. On the basis of an expected domestic disappearance of about 670 million bushels and continued small exports, the carry-over next July may be about 650 million bushels. The large increase in carry-over stocks, however, may be offset by a reduction in the 1942 crop, as a result of the expected substantial reduction in acreage, so that total supplies in 1942-43 may be not greatly different from those in 1941-42.

The quality of the 1941 wheat crop east of the Rocky Mountains, as indicated by July-October inspected receipts, is materially lower than in

1940. The quality of hard red winter and durum wheat also is poorer than the 7-year 1934-40 average (figures available only since 1934), but the quality of hard red spring and soft red wheat is somewhat better than the 7-year average. In the far Western States, the quality of white wheat is indicated to be much higher than the poor quality last year, but slightly lower than the 7-year average.

COTTON

Domestic cotton consumption on a daily basis established a new record high in November (43,576 bales compared with the previous high of 42,954 bales last May and with 36,155 in November 1940). It will likely go still higher in the next few months. The United States entry into the war will result in larger Government orders for cotton goods than had been expected previously. These and the inflationary elements in the domestic price structure are important factors contributing to a net advance of 8/10 cent per pound in domestic cotton prices from mid-November to mid-December.

Despite a large domestic supply (11 percent, or slightly over 2 million bales above the average for 1930-39) and exceptionally small actual and prospective exports, the December 15 price of Middling 15/16 inch in the 10 markets (17.19 cents) was 7-1/3 cents higher than a year earlier. It was 8-1/5 cents or 91 percent above the average for 1938-39, the last full year prior to the outbreak of the present war. This compares with a net gain of 5-1/5 cents or 40 percent in the basic quality (Middling 7/8 inch) at New Orleans in December 1916 over the average for 1913-14. Most of the price advance since the beginning of World War II has occurred since last year. The Government loan program and the factors contributing to the price advance of the past few weeks have been important contributors to the price gains over last season.

Total domestic supplies of cotton for the current season of over 23 million bales are equal to about two times the probable domestic consumption and exports for the year, whereas in 1916-17 such supplies were only one and one-fourth times as large as consumption plus exports. However, after deducting Government-financed stocks on August 1 plus the 1941-crop cotton under Government loan as of early December, the current season's indicated supply of "free" cotton (about 15-1/2 million bales) is equal to slightly less than one and one half times the probable domestic consumption. Practically all of the 1941-42 exports will be from Government-financed stocks and, therefore, will not have to come from the "free" supply.

Despite the fact that so far this season prices of Middling 15/16 inch in the 10 markets have been from 1 to nearly 3-1/2 cents higher than the 1941 loan rate, Government loans were reported to have been made on about 1-1/3 million bales of the 1941 crop up through December 6; to the same date last year about 2-1/3 million bales of the 1940 crop had been placed under Government loans. In Texas, which accounts for a large percentage of this year's loans, the spread of prices over the loan rate has been less than that indicated above, particularly for the lower qualities. Farmers are reported to be holding a considerable proportion of the current crop with the aid of private loans.

DAIRY PRODUCTS

Production of milk and of most manufactured dairy products is expected to average larger than a year earlier during the next 6 months. Butter production may be somewhat smaller than in the corresponding months of 1941 but storage stocks are materially larger. Exports of cheese, evaporated milk, and dry skim milk, will continue unusually large. Storage stocks of most manufactured dairy products probably will continue larger than a year earlier but stocks of dry skim milk may be smaller.

Wholesale butter prices may decline seasonally until the spring of 1942, although the spread of war makes the outlook uncertain. Prices of cheese and evaporated milk may be steady or at most decline only slightly during the next few months. The butterfat-feed price ratios probably will be less favorable for milk producers during coming months than they were a year earlier but the ratio of prices paid by condenseries for milk to feed-grain prices may be more favorable. Consumer expenditures for dairy products probably will continue substantially larger than in the corresponding months of 1941 but the increase over a year earlier may be somewhat smaller than in recent months.

Total milk production on December 1 was 8 percent larger than on the same date in 1940 and production per cow was 5 percent larger. American cheese production during October was 30 percent larger than in October 1940 and evaporated milk production was 56 percent larger. So far this year production of dry skim milk for human consumption has been 17 percent larger than in 1940.

Government purchases of dairy products in both October and November were considerably larger than in earlier months. Exports of cheese, evaporated milk, and dry skim milk, continue unusually large.

POULTRY PRODUCTS

The seasonal low point in farm marketings of eggs has been passed, and with favorable weather the weekly volume will increase until next April. On December 1 the average rate of lay per hen in the United States was 10 percent higher than a year earlier and the highest on record for that date. The total output of eggs on December 1 was about 17 percent larger than on December 1, 1940 since the number of layers on farms also was considerably larger than in December last year. The number of layers on farms will increase further relative to a year earlier because of the larger number of pullets still available for addition to laying flocks. By January laying flocks will average about 10 percent larger than a year earlier. This increase would be sufficient to reach the egg production goal for 1942 (10 percent above this year's output) even if the average rate of lay were no higher than this year's rate.

Wholesale egg prices began to decline at about the usual time this fall but with the recent war developments they advanced somewhat. In mid-December the price of fresh firsts at Chicago was about the same as in mid-November, but about 10 cents (approximately 38 percent) higher than a year earlier. Feed prices advanced a little in recent weeks but the

feed-egg price ratio is about the same as a year ago and a little more favorable to producers than average.

Storage stocks of shell eggs are declining seasonally and remain a little smaller than a year earlier. Stocks of frozen eggs, however, are much larger than a year ago.

The Department of Agriculture had purchased the equivalent of approximately 7-1/4 million cases of shell eggs up to the middle of December. Up to November 1 the following quantities of eggs had been delivered to representatives of the British Government: Dried eggs 10,410,573 pounds, frozen eggs 33,434,160 pounds, and shell eggs 693,526 cases.

Wholesale prices for chickens and fowl advanced somewhat during recent weeks and are averaging a little higher than a year ago despite continued heavy marketings. Turkey prices in mid-December were a little lower than in mid-November but were considerably higher than a year earlier. The average price received by farmers for chickens in mid-November was 18 percent higher than in November 1940 while turkey prices averaged 30 percent higher.

FRUITS

The 1941-42 fruit season will continue to be a relatively favorable one, compared with the seasons immediately preceding, for fruit growers in general. Although producers of deciduous fruits have had to market larger amounts of produce this season than last, a higher level of consumer demand and larger purchases by the Department of Agriculture this season have resulted in relatively favorable prices to growers.

Commercial apple production was estimated, as of November 1, to total 126.1 million bushels compared with 114.4 million last year. Cold storage holdings of apples on December 1 totaled 31.1 million bushels compared with 33.8 million on December 1, 1940. The Surplus Marketing Administration held 3.1 million boxes of the total December 1, 1940 cold storage stocks, while a year earlier they held only 605,226 bushels of the total reported by the Agricultural Marketing Service.

The November 15 farm price of apples as reported by the Agricultural Marketing Service was 98 cents, the highest November 15 price since 1936 and the second highest since 1929. Prices of Washington Extra Fancy Delicious and Jonathan apples at the Chicago auction decreased seasonally during November. Auction prices of these varieties normally decrease from the beginning of the season through January.

On November 1 the Agricultural Marketing Service estimated that the production of pears other than Bartletts in the Pacific Coast States would total 5.6 million bushels compared with 6.6 million last year. Cold storage holdings of these late pears totaled about 2.0 million boxes, 28 percent greater than on December 1, 1940. Auction prices of Bosc pears at New York in the week ended December 5 averaged slightly above those in the comparable week last year, and prices of Anjou pears averaged considerably higher.

It was estimated on December 1 that the production of oranges would total 84.5 million boxes compared with 84.1 million from the bloom of 1940. Grapefruit and lemon production from the bloom of 1941 probably will be smaller than that from the bloom of 1940. Shipments of citrus fruits from Florida and Texas during November ran behind those in the same month last year. Market prices of oranges and grapefruit continue to average well above prices in the comparable period of a year ago.

POTATOES

Market prices of potatoes showed little change during the last several weeks. The price of eastern varieties fluctuated around an average of \$1.70 per 100 pounds at New York City, compared with about 95 cents during the same period a year earlier; prices at Chicago for all varieties excluding western stock averaged around \$1.40 per 100 pounds compared with \$1.05 in the late November - early December period of 1940. Prices of Idaho Russet Burbanks rose slightly at New York City but declined slightly at Chicago during the last 4 weeks and averaged \$2.93 and \$2.42, respectively, during the first week of December compared with \$1.99 and \$1.55 a year earlier. Red McClure prices averaged about \$2.29 in early December compared with \$1.40 in early December 1940.

The recent price developments indicate that the markets have become adjusted to the supply and demand situation now prevailing and in prospect for the immediate future. The late crop has been harvested and placed in storage for winter and spring marketing. Hence, it is probable that there will be little change in the supply prospect during the next several months, and broad changes in demand usually occur slowly. The prospect immediately ahead, therefore, is for no more than a normal seasonal rise in prices.

SWEETPOTATOES

Market prices of sweetpotatoes rose seasonally during recent weeks and the prospect is for further seasonal gains during the remainder of the marketing season. The gains in eastern markets are likely to be more pronounced than in midwestern markets because of the relatively short supplies of sweetpotatoes available in the Eastern States. Largely because of a relatively large crop in the Central States this season, the total crop is about 9 million bushels larger than that of 1940.

TRUCK CROPS

Truck crop prices in market centers declined somewhat in the late November-early December period as supplies from the fall-producing areas became available. There were declines in prices of artichokes, lima beans, snap beans, broccoli, carrots, celery, cucumbers, eggplant, imported okra, peppers, spinach, squash, and tomatoes. There were a few price advances, however, and many items averaged somewhat higher than in early December 1940. The most important crops showing price advances during the last few weeks were cabbage, cauliflower, lettuce, and onions.

Recent reports indicate that the acreage planted or to be planted to 17 commercial truck crops for harvest in the early part of the 1942 season is 16 percent larger than the 1941 harvested acreage and 12 percent above the 1931-40 average. Some of these crops suffered severe acreage losses last season, however, so that the indicated acreage this season is only 1 percent larger than the planted acreage last season. Compared with the harvested acreage last year, this year's indications are larger for cabbage, cauliflower, early celery, fall cucumbers, fall eggplant, early lettuce, early onions, fall shallots, early spinach, and fall tomatoes. Decreases are indicated for California artichokes, fall snap beans, Texas beets, fall and winter celery, Virginia kale, and fall spinach. The production of fall snap beans, celery, kale, and spinach, is smaller than that of last year, but the output of carrots, cauliflower, cucumbers, eggplant, peppers, shallots, and tomatoes, is larger.

TABLE 8. - ECONOMIC TRENDS AFFECTING AGRICULTURE

INDEX NUMBERS: INDICATED BASE PERIOD = 100

YEAR AND MONTH	INDUS-TRIAL PRO-DUCTION ¹	FACTORY EMPLOY-MENT ²	FACTORY PAY ROLLS ²	INCOME OF IN-DUSTRIAL WORKERS ³	VOLUME OF AGRI-CULTURAL EXPORTS ⁴	WHOLE-SALE PRICES OF ALL COMMOD-ITIES ⁵	RETAIL FOOD PRICES ⁶	PRICES RECEIVED BY FARMERS ⁷	PRICES PAID BY FARMERS	PRICES PAID BY FARMERS, INTEREST AND TAXES	RATIO OF PRICES RE-CEIVED TO PRICES PAID INCL. INTEREST & TAXES	CASH INCOME FROM FARM MAR-KETINGS ⁸
Base Period	1935-39	1935-39	1935-39	1935-39	1935-39	1935-39	1935-39	1910-14	1910-14	1910-14	1910-14	1910-14
1929	110	108	127	134	162	118	133	146	153	166	88	190
1930	91	94	103	110	138	107	126	126	145	158	80	152
1931	75	80	78	85	134	91	104	87	124	138	63	107
1932	58	68	54	59	143	80	86	65	107	120	54	80
1933	69	75	58	61	131	82	84	70	109	118	59	89
1934	75	88	74	77	102	93	94	90	123	128	70	106
1935	87	93	86	87	95	99	100	108	125	130	83	119
1936	103	101	99	100	88	100	101	114	124	129	88	139
1937	113	111	118	117	102	107	105	121	130	134	90	148
1938	89	93	91	91	116	98	98	95	122	127	75	129
1939	108	102	106	105	100	96	95	93	121	127	73	132
1940	123	110	122	119	72	98	97	98	123	128	77	141
1940- Oct.	130	114	132	127	40	98	96	99	122	127	78	147
Nov.	134	117	136	130	33	99	96	99	122	127	78	145
Dec.	139	119	142	135	31	99	97	101	123	128	79	156
1941- Jan.	140	121	145	138	28	100	98	104	123	128	81	158
Feb.	144	121	146	139	38	100	98	103	123	128	80	153
Mar.	147	122	147	141	47	101	98	103	124	129	80	161
Apr.	144	125	153	142	48	103	101	110	124	129	85	169
May	154	128	164	157	66	105	102	112	125	130	86	176
June	159	131	175	167	71	108	106	118	128	132	89	175
July	160	136	182	173	93	110	107	125	130	133	94	179
Aug.	160	136	183	174	79	112	108	131	133	136	96	186
Sept.	161	135	187	177	83	114	111	139	136	138	101	200
Oct. ⁹	164	135	189	177	--	114	112	139	139	141	99	205
Nov. ⁹	166	--	--	--	--	115	113	135	141	143	94	--

¹Federal Reserve Board, adjusted for seasonal variation. Revised September 1941.²Bureau of Labor Statistics, adjusted for seasonal variation and converted from the 1923-25 base (employment adjusted by Federal Reserve and pay rolls by Bureau of Agricultural Economics).³Adjusted for seasonal variation. Includes factory, railroad, and mining employees. Revised November 1941. To convert to 1924-29 base, multiply by 78.0744 percent.⁴Foreign Agricultural Relations, adjusted for seasonal variation and converted from the 1924-29 base by multiplying by 172.414 percent. Revised April 1941.⁵Bureau of Labor Statistics, 1926 = 100 converted to 1935-39 = 100 by multiplying by 124.069 percent.⁶Bureau of Labor Statistics.⁷August 1909-July 1914 = 100.⁸Adjusted for seasonal variation, converted from 1924-29 = 100 to 1910-14 = 100.⁹Preliminary.

Note: In comparing trends between industrial production and industrial workers' income, as indicated by the above index numbers, notice should be taken of the fact that income of railway workers, as well as incomes of mining and factory workers, is included in the index of industrial workers' income, whereas the industrial production index is based on mining and manufacturing only. Similar precautions are necessary in comparing trends between industrial production and factory employment and pay rolls. Another consideration of importance is that the production index is based on volume, whereas the income indexes are affected by changes in wage rates as well as by time worked. In comparing monthly indexes it is important to keep in mind the fact that there is usually a time lag between changes in volume of production and similar changes in employment and in workers' income.

